

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: Charter Township of Van Buren	County Wayne
Audit Date December 31, 2004	Opinion Date April 7, 2005	Date Accountant Report Submitted To State: June 30, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Certified Public Accountant (Firm Name): <b>Plante &amp; Moran, PLLC</b>			
Street Address 350 South Main Street, Suite 200	City Ann Arbor	State MI	ZIP 48104-1923
Accountant Signature 			

# **Charter Township of Van Buren Wayne County, Michigan**

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**Financial Report  
with Supplemental Information  
December 31, 2004**

# Charter Township of Van Buren

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## Independent Auditor's Report

To the Township Board  
Charter Township of Van Buren  
Wayne County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Van Buren as of and for the year ended December 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Van Buren's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Van Buren as of December 31, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Township Board  
Charter Township of Van Buren  
Wayne County, Michigan

The accompanying other supplemental information, as identified in the table of contents, is not a required part of the basic financial statements. The other supplemental information is presented for the purpose of additional analysis. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Van Buren. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the Charter Township of Van Buren's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Plante & Moran, PLLC*

April 7, 2005

# **Charter Township of Van Buren**

## **Management's Discussion and Analysis**

### **Overview of the Financial Statements**

The Charter Township of Van Buren's 2004 annual report is presented in conformity with the requirements of GASB 34. This annual report consists of four parts - management's discussion and analysis, the basic financial statements, required supplementary information, and other supplemental information that presents combining statements for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the government-wide statements.

### **Government-wide Statements**

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid (full accrual).

The two government-wide statements report the Township's net assets and how they have changed. Net assets, the difference between the Township's assets and liabilities, are one way to measure the Township's financial health or position.

The government-wide financial statements of the Township are divided into three categories:

- **Governmental activities** - Most of the Township's basic services are included here, such as the police, fire, public works, community services, and general administration. Property taxes, state-shared revenue, landfill royalties, and charges for services provide most of the funding.
- **Business-type activities** - The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water and sewer system is treated as a business-type activity.
- **Component units** - The Township includes three other entities in its report: the Downtown Development Authority, the Local Development Finance Authority, and the Economic Development Corporation. Although legally separate, these "component units" are important because the Township is financially accountable for them.

# **Charter Township of Van Buren**

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## **Management's Discussion and Analysis (Continued)**

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and bond covenants. The Township Board establishes other funds to control and manage money for particular purposes.

The Township has three types of funds:

- **Governmental funds** - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.
- **Proprietary funds** - Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long- and short-term financial information.
- **Fiduciary funds** - The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

# Charter Township of Van Buren

## Management's Discussion and Analysis (Continued)

### Financial Overview

The Township has combined total net assets of \$78.0 million. This is an increase over 2003 of \$5.9 million. Business-type activities comprise \$55.0 million, and governmental activities make up \$23.0 million of the total net assets. In a condensed format, the table below shows a comparison of the net assets as of the current date to the prior year:

(In thousands)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
<b>Assets</b>						
Current assets	\$ 18,804	\$ 19,650	\$ 10,939	\$ 10,081	\$ 29,743	\$ 29,731
Noncurrent assets	<u>9,714</u>	<u>7,439</u>	<u>60,597</u>	<u>58,297</u>	<u>70,311</u>	<u>65,736</u>
Total assets	28,518	27,089	71,536	68,378	100,054	95,467
<b>Liabilities</b>						
Current liabilities	5,162	5,660	7,633	6,482	12,795	12,142
Long-term liabilities	<u>308</u>	<u>47</u>	<u>8,927</u>	<u>11,174</u>	<u>9,235</u>	<u>11,221</u>
Total liabilities	<u>5,470</u>	<u>5,707</u>	<u>16,560</u>	<u>17,656</u>	<u>22,030</u>	<u>23,363</u>
<b>Net Assets</b>						
Invested in capital assets -						
Net of related debt	9,404	7,439	36,952	35,324	46,356	42,763
Restricted	697	827	13,764	11,800	14,461	12,627
Unrestricted	<u>12,947</u>	<u>13,116</u>	<u>4,260</u>	<u>3,598</u>	<u>17,207</u>	<u>16,714</u>
Total net assets	<u><b>\$ 23,048</b></u>	<u><b>\$ 21,382</b></u>	<u><b>\$ 54,976</b></u>	<u><b>\$ 50,722</b></u>	<u><b>\$ 78,024</b></u>	<u><b>\$ 72,104</b></u>

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, decreased \$0.2 million for the governmental activities. The Township is able to report positive balances in all three categories of net assets, both for the governmental activities and business-type activities.



# Charter Township of Van Buren

## Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets for 2004:

(In thousands)	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 1,902	\$ 2,414	\$ 5,358	\$ 4,341	\$ 7,260	\$ 6,755
Operating grants and contributions	518	727	-	-	518	727
Capital grants and contributions	253	119	180	1,731	433	1,850
General revenue:						
Property taxes	3,200	3,050	4,830	4,566	8,030	7,616
State-shared revenue	2,030	2,551	-	-	2,030	2,551
Unrestricted fees and other	233	193	-	-	233	193
Unrestricted investment earnings	271	198	279	256	550	454
Contribution of land from developer	1,200	-	-	-	1,200	-
Landfill royalties	3,126	2,837	-	-	3,126	2,837
Total revenue	12,733	12,089	10,647	10,894	23,380	22,983
<b>Program Expenses</b>						
General government	2,233	2,199	-	-	2,233	2,199
Public safety	6,629	5,967	-	-	6,629	5,967
Public works	174	390	-	-	174	390
Community and economic development	657	876	-	-	657	876
Recreation and culture	1,374	1,400	-	-	1,374	1,400
Water and sewer	-	-	6,393	6,137	6,393	6,137
Total program expenses	11,067	10,832	6,393	6,137	17,460	16,969
<b>Change in Net Assets</b>	<b>\$ 1,666</b>	<b>\$ 1,257</b>	<b>\$ 4,254</b>	<b>\$ 4,757</b>	<b>\$ 5,920</b>	<b>\$ 6,014</b>

### Governmental Activities

Revenues for governmental activities totaled \$12.7 million. A total of \$3.2 million was in the form of property tax collections. Charges for services such as court fines, building permits, and recreation fees accounted for \$1.9 million in revenue. State-shared revenues continue to be of concern. While they provided \$2.0 million, we are uncertain what will happen in 2005 given the State's continued financial difficulties. Landfill royalties brought in \$3.1 million in 2004. Developers contributed land with a fair market value of \$1.2 million during 2004.

# **Charter Township of Van Buren**

## **Management's Discussion and Analysis (Continued)**

### **Business-type Activities**

The Charter Township of Van Buren has one business-type activity, the water and sewer operation. Revenues for business-type activities were \$10.6 million. Water is provided to the Charter Township of Van Buren's residents via the Detroit Water and Sewer Department. Sewage treatment is provided by contracts with South Huron Valley Utility Authority, Wayne County, the Downriver Sewage System, and the Ypsilanti Community Utility Authority.

### **Current Economic Events**

The Downtown Development Authority (DDA) approved hiring CDPA Associates to develop plans for a fire station they intend to build on Belleville Road just south of Ecorse Road. Along with the Township board's efforts to improve fire service in the Township, the Township board has allocated \$2 million for the building of a new fire station at Sumpter and Hull Roads that CDPA will also design.

General Fund expenditures for 2004 included a new security system for all Township facilities, at a cost of about \$90,000. Installation is nearly complete, with one component being new identification cards being issued to all Township employees. In addition, a \$350,000 new parks maintenance facility was erected in Van Buren Park to replace a pole barn the Township acquired in a used condition over 10 years ago.

The Township's 2004 General Fund budget reflects a decrease in state revenue-sharing dollars, the third consecutive year of declining revenues from the State. Over \$800,000 has been cut from The Township's revenue-sharing payments. In years past, state revenue-sharing dollars provided about 25 percent of the Township's revenue. In 2001, the Township received just over \$2.7 million in state revenue sharing and in 2004, slightly more than \$2 million was budgeted for state-shared revenue.

The largest General Fund expenditure is the Department of Public Safety, which includes police, fire, emergency dispatch, emergency operations, and animal control. The Community Services Department and the Department of Developmental Services comprise the next highest General Fund expenditures by department. The collective Community Services Department includes recreation, special events, the parks and lake division, and building and grounds. The Developmental Services Department encompasses building and planning services, environmental services, code enforcement, and general ordinance enforcement.

In 2004, a total of 4,903 building, electrical, mechanical and plumbing permits were issued, resulting in just over \$900,000 in revenue to the Township. This is slightly higher than the \$884,000 collected in 2003, with revenues being used to offset the costs of operating the department. The permits range from the construction of a new industrial or commercial facility to a permit allowing construction of a deck on a single residential lot.

# **Charter Township of Van Buren**

## **Management's Discussion and Analysis (Continued)**

The Water and Sewer Department has completed master plans for the Township's water distribution and wastewater systems. Similar to land use master plans, these plans will serve as guides for future development and ensure infrastructure can support that development. In concert with these plans, the Township board approved a study to determine the need for an equalization basin to address wet weather flows. This equalization basin, with an estimated cost of \$10 million, can contain water during wet weather events and later release that water when flows are less to ensure volumes in the sanitary sewer system do not exceed contractual maximums and to prevent flooding.

### **Financial Analysis of Township Funds and Budgets**

The General Fund ended 2004 with a fund balance of \$2.9 million, with \$119,000 reserved for prepaids. Total revenues were \$8.1 million, excluding a transfer in from the Landfill Fund of \$2.0 million. Tax revenue was up due to increased taxable value. Tax collections were \$3.06 million for 2004, which is an increase of \$350,000 over 2003. State-shared revenue was \$2.0 million, and licenses and permit revenue was \$1.1 million. Total expenditures were \$11.5 million. The cost of public safety (the five components comprising police, fire, emergency dispatch, emergency management, and animal control) alone is approximately \$5 million of the operating budget.

The General Fund budget is amended throughout the year as deemed necessary. This is primarily done to prevent expenditures from being over budget. There were two departments that had noted budget overruns. The Township had not received reimbursement on a federal grant within 60 days of year end in the environmental management department, resulting in a significant variance. In addition, the police department expenditures came in over budget due to personnel changes during the year. No other major General Fund areas were significantly under or over budget.

### **Capital Assets and Debt**

At the end of 2004, the Township had approximately \$56 million invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines net of related accumulated depreciation.

Debt related to the water and sewer system totaling \$9.8 million is recorded as a liability in the business-type activities in the statement of net assets.

### **Contact Us**

This report is intended to aid our residents and other interested parties in understanding the Township's financial condition and to show the Township's accountability for money it receives. Should you have further questions, we welcome you to contact the Clerk's office.

# Charter Township of Van Buren

## Statement of Net Assets (Deficit) December 31, 2004

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 3)	\$ 14,483,978	\$ 5,278,947	\$ 19,762,925	\$ 4,267,153
Receivables - Net:				
Property taxes	2,899,161	3,863,915	6,763,076	-
Special assessments	116,105	3,200	119,305	-
Customers	-	921,696	921,696	-
Accrued interest and other receivables	371,175	259,772	630,947	-
Internal balances (Note 5)	(2,050)	2,050	-	-
Due from governmental units	816,297	591,375	1,407,672	-
Prepaid expenditures	119,796	18,518	138,314	-
Long-term assessment receivable	-	14,668	14,668	-
Restricted assets (Note 7)	-	13,763,553	13,763,553	8,036,963
Capital assets (Note 4):				
Capital assets not being depreciated	1,638,593	3,234,573	4,873,166	516,152
Capital assets being depreciated - Net	8,075,134	43,583,823	51,658,957	1,149,545
<b>Total assets</b>	<b>28,518,189</b>	<b>71,536,090</b>	<b>100,054,279</b>	<b>13,969,813</b>
<b>Liabilities</b>				
Accounts payable	1,076,004	746,868	1,822,872	3,117,040
Accrued and other liabilities	216,995	917,700	1,134,695	946,231
Due to other governmental units	-	-	-	179,366
Cash bonds and deposits	311,573	-	311,573	-
Deferred revenue (Note 15)	3,485,170	5,009,573	8,494,743	2,448,499
Noncurrent liabilities (Note 6):				
Due within one year	72,523	959,251	1,031,774	805,000
Due in more than one year	307,744	8,927,101	9,234,845	31,564,656
<b>Total liabilities</b>	<b>5,470,009</b>	<b>16,560,493</b>	<b>22,030,502</b>	<b>39,060,792</b>
<b>Net Assets (Deficit)</b>				
Invested in capital assets - Net of related debt	9,403,636	36,951,955	46,355,591	1,665,697
Restricted:				
Law enforcement	206,361	-	206,361	-
911 service	474,918	-	474,918	-
Museum capital projects	16,350	-	16,350	-
Water and sewer line construction and debt (Note 7)	-	13,763,553	13,763,553	-
Debt service	-	-	-	2,627,875
Working capital reserve	-	-	-	175,000
Unrestricted	12,946,915	4,260,089	17,207,004	(29,559,551)
<b>Total net assets (deficit)</b>	<b>\$ 23,048,180</b>	<b>\$ 54,975,597</b>	<b>\$ 78,023,777</b>	<b>\$ (25,090,979)</b>

# Charter Township of Van Buren

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 2,233,087	\$ 137,701	\$ -	\$ -
Public safety	6,629,436	1,212,381	308,671	-
Public works	174,046	-	61,328	10,175
Community and economic development	657,076	303,486	77,929	-
Recreation and culture	<u>1,373,850</u>	<u>248,322</u>	<u>70,243</u>	<u>243,222</u>
Total governmental activities	11,067,495	1,901,890	518,171	253,397
Business-type activities - Water and sewer	<u>6,392,786</u>	<u>5,357,604</u>	<u>-</u>	<u>180,130</u>
Total primary government	<u><b>\$ 17,460,281</b></u>	<u><b>\$ 7,259,494</b></u>	<u><b>\$ 518,171</b></u>	<u><b>\$ 433,527</b></u>
Component units:				
Economic Development Corporation	\$ 13,167	\$ -	\$ -	\$ -
Downtown Development Authority	606,678	-	-	-
Local Development Finance Authority	<u>8,718,638</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total component units	<u><b>\$ 9,338,483</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>
General revenues:				
Property taxes				
State-shared revenues				
Unrestricted fees and other				
Unrestricted investment earnings				
Contribution of land from developers				
Landfill royalties				
Total general revenues				
<b>Change in Net Assets (Deficit)</b>				
<b>Net Assets (Deficit) - Beginning of year</b>				
<b>Net Assets (Deficit) - End of year</b>				

**Statement of Activities**  
**Year Ended December 31, 2004**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (2,095,386)	\$ -	\$ (2,095,386)	\$ -
(5,108,384)	-	(5,108,384)	-
(102,543)	-	(102,543)	-
(275,661)	-	(275,661)	-
(812,063)	-	(812,063)	-
(8,394,037)	-	(8,394,037)	-
-	(855,052)	(855,052)	-
(8,394,037)	(855,052)	(9,249,089)	-
-	-	-	(13,167)
-	-	-	(606,678)
-	-	-	(8,718,638)
-	-	-	(9,338,483)
3,200,383	4,829,549	8,029,932	1,811,187
2,029,958	-	2,029,958	-
232,754	-	232,754	-
270,649	279,041	549,690	167,143
1,200,000	-	1,200,000	-
3,126,294	-	3,126,294	-
10,060,038	5,108,590	15,168,628	1,978,330
1,666,001	4,253,538	5,919,539	(7,360,153)
21,382,179	50,722,059	72,104,238	(17,730,826)
<b>\$ 23,048,180</b>	<b>\$ 54,975,597</b>	<b>\$ 78,023,777</b>	<b>\$ (25,090,979)</b>

# Charter Township of Van Buren

## Governmental Funds Balance Sheet December 31, 2004

	General Fund	Landfill Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and investments (Note 3)	\$ 3,935,734	\$ 8,787,883	\$ 1,760,361	\$ 14,483,978
Receivables:				
Property taxes	2,899,161	-	-	2,899,161
Special assessments	-	-	116,105	116,105
Accrued interest and other receivables	182,691	188,484	-	371,175
Prepaid expenditures	119,228	-	568	119,796
Due from other funds (Note 5)	64,855	93,182	-	158,037
Due from other governmental units	764,059	-	52,238	816,297
<b>Total assets</b>	<b>\$ 7,965,728</b>	<b>\$ 9,069,549</b>	<b>\$ 1,929,272</b>	<b>\$ 18,964,549</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 891,715	\$ -	\$ 184,289	\$ 1,076,004
Accrued and other liabilities	216,231	-	764	216,995
Due to other funds	2,050	-	158,037	160,087
Cash bonds and deposits	311,573	-	-	311,573
Deferred revenue (Note 15)	3,688,511	-	155,986	3,844,497
<b>Total liabilities</b>	<b>5,110,080</b>	<b>-</b>	<b>499,076</b>	<b>5,609,156</b>
<b>Fund Balances</b>				
Reserved for:				
Law enforcement	-	-	206,361	206,361
911 service	-	-	474,918	474,918
Museum capital projects	-	-	16,350	16,350
Prepays	119,228	-	-	119,228
Unreserved, reported in:				
General Fund	487,895	-	-	487,895
Designated (Note 13)	2,248,525	-	-	2,248,525
Special Revenue Funds	-	9,069,549	124,325	9,193,874
Designated (Note 13)	-	-	608,242	608,242
<b>Total fund balances</b>	<b>2,855,648</b>	<b>9,069,549</b>	<b>1,430,196</b>	<b>13,355,393</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,965,728</b>	<b>\$ 9,069,549</b>	<b>\$ 1,929,272</b>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	9,713,727
Special assessment and delinquent property tax receivables are expected to be collected over several years and are not available to pay for current year expenditures	359,327
Long-term notes payable are not due and payable in the current period and are not reported in the funds	(310,091)
Compensated absences are not due and payable in the current period and are not reported in the funds	(70,176)
<b>Net assets of governmental activities</b>	<b>\$ 23,048,180</b>

# Charter Township of Van Buren

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2004

	General Fund	Landfill Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>				
Property taxes	\$ 2,960,181	\$ -	\$ -	\$ 2,960,181
Licenses, fees, and permits	1,141,730	-	-	1,141,730
State sources	2,029,958	-	-	2,029,958
Federal sources	261,955	-	77,929	339,884
Charges for services	584,270	-	-	584,270
Interest income	109,914	106,057	54,711	270,682
Special assessments	-	-	38,924	38,924
Landfill royalties	-	3,126,294	-	3,126,294
Other revenue	1,002,689	-	433,612	1,436,301
Total revenue	8,090,697	3,232,351	605,176	11,928,224
<b>Expenditures</b>				
General government	2,475,953	-	-	2,475,953
Public safety	6,501,610	395,378	116,854	7,013,842
Public works	99,682	-	1,179	100,861
Community and economic development	469,476	-	202,140	671,616
Recreation and culture	1,413,997	-	75,815	1,489,812
Insurance and other	532,494	-	415,927	948,421
Total expenditures	11,493,212	395,378	811,915	12,700,505
<b>Excess of Revenue Over (Under) Expenditures</b>	(3,402,515)	2,836,973	(206,739)	(772,281)
<b>Other Financing Sources (Uses)</b>				
Proceeds from issuance of debt	385,079	-	-	385,079
Transfers in	2,000,000	114,703	352,500	2,467,203
Transfers out	-	(2,352,500)	(114,703)	(2,467,203)
Total other financing sources (uses)	2,385,079	(2,237,797)	237,797	385,079
<b>Net Change in Fund Balances</b>	(1,017,436)	599,176	31,058	(387,202)
<b>Fund Balances - Beginning of year</b>	3,873,084	8,470,373	1,399,138	13,742,595
<b>Fund Balances - End of year</b>	<u>\$ 2,855,648</u>	<u>\$ 9,069,549</u>	<u>\$ 1,430,196</u>	<u>\$ 13,355,393</u>



# Charter Township of Van Buren

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2004**

**Net Change in Fund Balances - Total Governmental Funds** \$ (387,202)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation 2,292,183

In the statement of activities, the loss on disposal of assets is recorded and in the funds the proceeds from sale of assets are reported (17,100)

Governmental funds report issuance of debt as revenues and principal payments of the debt as expenditures; in the statement of activities, these proceeds are recorded as a liability and principal payments as a reduction to the liability (310,091)

Special assessment and personal property tax revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end (131,591)

Certain revenue reported in the statement of activities in the current year does not provide current financial resources in the governmental funds until future years 243,222

The change in accumulated employee sick and vacation pay is recorded when earned in the statement of activities (23,420)

**Change in Net Assets of Governmental Activities** \$ 1,666,001

# Charter Township of Van Buren

## Proprietary Funds Statement of Net Assets December 31, 2004

	Enterprise Fund - Water and Sewer	
	2004	2003
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 5,278,947	\$ 4,077,744
Receivables:		
Property taxes	3,863,915	4,126,795
Special assessments	3,200	3,673
Customers	921,696	934,372
Accrued interest and other receivables	259,772	408,220
Due from other funds (Note 5)	2,050	1,650
Due from other governmental units	591,375	509,721
Prepaid expenses	18,518	18,495
Total current assets	10,939,473	10,080,670
Noncurrent assets:		
Long-term assessments receivable	14,668	18,936
Restricted assets	13,763,553	11,800,489
Capital assets not being depreciated (Note 4)	3,234,573	3,455,647
Capital assets being depreciated - Net (Note 4)	43,583,823	43,022,350
Total noncurrent assets	60,596,617	58,297,422
Total assets	71,536,090	68,378,092
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	746,868	806,336
Accrued and other liabilities	917,700	735,650
Deferred revenue	5,009,573	4,940,073
Current portion of long-term obligations (Note 6)	959,251	1,209,407
Total current liabilities	7,633,392	7,691,466
Noncurrent liabilities - Long-term debt - Net of current portion (Note 6)	8,927,101	9,964,567
Total liabilities	16,560,493	17,656,033
<b>Net Assets</b>		
Invested in capital assets - Net of related debt	36,951,955	35,323,934
Restricted (Note 7)	13,763,553	11,800,489
Unrestricted	4,260,089	3,597,636
Total net assets	<u>\$ 54,975,597</u>	<u>\$ 50,722,059</u>

# Charter Township of Van Buren

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2004

	Enterprise Fund - Water and Sewer	
	2004	2003
<b>Operating Revenue</b>		
Water sales	\$ 1,596,911	\$ 1,264,402
Sewage disposal revenue	1,285,441	1,240,293
Water and sewer service charge	2,093,797	1,586,117
Customer penalties	61,332	40,379
Other revenue	320,123	210,008
Total operating revenue	5,357,604	4,341,199
<b>Operating Expenses</b>		
Salaries and wages	608,207	582,494
Payroll taxes and fringe benefits	267,468	290,512
Insurance	168,924	168,934
Supplies and materials	68,460	26,326
Engineering fees	16,627	17,872
Professional services	180,709	208,309
Vehicle expense	19,986	15,337
Water purchase	1,723,612	1,452,148
Sewage disposal charges	1,181,504	1,195,242
Maintenance	73,360	98,168
Depreciation and amortization	1,326,114	1,320,059
Administration fee	365,715	351,756
Other expenses	97,218	76,099
Total operating expenses	6,097,904	5,803,256
<b>Operating Loss</b>	(740,300)	(1,462,057)
<b>Nonoperating Revenue (Expense)</b>		
Property taxes	4,829,549	4,566,058
Federal sources	59,925	352,876
Interest income	279,041	255,712
Interest expense	(294,882)	(333,509)
Total nonoperating revenue	4,873,633	4,841,137
<b>Income - Before contributions</b>	4,133,333	3,379,080
<b>Capital Contributions</b>	120,205	1,378,248
<b>Change in Net Assets</b>	4,253,538	4,757,328
<b>Net Assets - Beginning of year</b>	50,722,059	45,964,731
<b>Net Assets - End of year</b>	<b>\$ 54,975,597</b>	<b>\$ 50,722,059</b>

# Charter Township of Van Buren

## Proprietary Funds Statement of Cash Flows Year Ended December 31, 2004

	Enterprise Fund - Water and Sewer	
	2004	2003
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$ 5,198,606	3,648,523
Payments to suppliers	(3,780,174)	(3,458,240)
Payments to employees	(869,034)	(885,954)
Other receipts	297,970	196,359
Net cash provided by (used in) operating activities	847,368	(499,312)
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from property tax levy	5,161,929	4,609,706
Collection of customer special assessments	5,858	8,653
Purchase of capital assets	(1,536,869)	(1,581,807)
Increase in monies held at Wayne County for debt retirement	(162,090)	(108,031)
Principal and interest paid on capital debt	(1,416,281)	(1,339,151)
Net cash provided by capital and related financing activities	2,052,547	1,589,370
<b>Cash Flows from Investing Activities</b> - Interest received on investments	201,776	176,762
<b>Net Increase in Cash and Cash Equivalents</b>	3,101,691	1,266,820
<b>Cash and Cash Equivalents</b> - Beginning of year	14,581,178	13,314,358
<b>Cash and Cash Equivalents</b> - End of year	<u>\$ 17,682,869</u>	<u>\$ 14,581,178</u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>		
Cash and equivalents	\$ 5,278,947	4,077,744
Restricted assets (Note 7)	12,403,922	10,503,434
Total cash and cash equivalents	<u>\$ 17,682,869</u>	<u>\$ 14,581,178</u>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>		
Operating loss	\$ (740,300)	(1,462,057)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation and amortization	1,326,114	1,320,059
Changes in assets and liabilities:		
Receivables	161,124	(482,668)
Prepaid expenses	(23)	(11,999)
Due from other funds	(400)	(1,650)
Due from other governmental units	(21,729)	-
Accounts payable	(59,468)	151,951
Accrued and other liabilities	182,050	(12,948)
Net cash provided by (used in) operating activities	<u>\$ 847,368</u>	<u>\$ (499,312)</u>

**Noncash Investing, Capital, and Financing Activities** - During the year ended December 31, 2004, the Water and Sewer Fund received \$120,205 of lines donated by developers; in addition, the Township has assets held at Wayne County for the purpose of financing water and sewer lines. During the year ended December 31, 2004, interest income of \$76,148 was earned on these assets and \$54,640 was expended for construction purposes.

# Charter Township of Van Buren

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## **Fiduciary Funds Statement of Assets and Liabilities December 31, 2004**

	<u>Agency Fund</u>
<b>Assets</b> - Cash and cash equivalents	<u><u>\$ 1,992,731</u></u>
<b>Liabilities</b> - Due to other governmental units	<u><u>\$ 1,992,731</u></u>

# Charter Township of Van Buren

## Component Units Statement of Net Assets (Deficit) December 31, 2004

	Economic Development Corporation	DDA	LDFA	Totals
<b>Assets</b>				
Cash and cash equivalents (Note 3)	\$ -	\$ 3,553,382	\$ 713,771	\$ 4,267,153
Property tax receivable	-	-	-	-
Due from other governmental units	-	-	-	-
Restricted assets	-	675,000	7,361,963	8,036,963
Capital assets (Note 4):				
Capital assets not being depreciated	-	516,152	-	516,152
Capital assets being depreciated - Net	-	1,149,545	-	1,149,545
<b>Total assets</b>	-	5,894,079	8,075,734	13,969,813
<b>Liabilities</b>				
Accounts payable	-	6,151	3,110,889	3,117,040
Accrued liabilities	-	95,865	850,366	946,231
Due to other governmental units	-	35,723	143,643	179,366
Deferred revenue	-	1,239,501	1,208,998	2,448,499
Noncurrent liabilities (Note 6):				
Due within one year	-	155,000	650,000	805,000
Due in more than one year	-	4,410,000	27,154,656	31,564,656
<b>Total liabilities</b>	-	5,942,240	33,118,552	39,060,792
<b>Net Assets (Deficit)</b>				
Investment in capital assets	-	1,665,697	-	1,665,697
Restricted for debt service	-	500,000	2,127,875	2,627,875
Restricted for working capital reserve	-	175,000	-	175,000
Unrestricted	-	(2,388,858)	(27,170,693)	(29,559,551)
<b>Total net assets (deficit)</b>	<b>\$ -</b>	<b>\$ (48,161)</b>	<b>\$ (25,042,818)</b>	<b>\$ (25,090,979)</b>

# Charter Township of Van Buren

		Program Revenues		
		Charges for	Operating	Capital Grants
	Expenses	Services	Grants and	and
			Contributions	Contributions
Economic Development Corporation -				
Community and economic development	\$ 13,167	\$ -	\$ -	\$ -
Downtown Development Authority:				
Community and economic development	215,343	-	-	-
Interest on long-term debt	391,335	-	-	-
Local Development Finance Authority:				
Community and economic development	7,130,502	-	-	-
Interest on long-term debt	1,588,136	-	-	-
Total governmental activities	<u>\$ 9,338,483</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
Unrestricted investment earnings				
Total general revenues				
<b>Change in Net Assets (Deficit)</b>				
<b>Net Assets (Deficit) - Beginning of year</b>				
<b>Net Assets (Deficit) - End of year</b>				

**Component Units**  
**Statement of Activities**  
**Year Ended December 31, 2004**

Net (Expense) Revenue and Changes in Net Assets			
Economic Development Corporation	DDA	LDFA	Total
\$ (13,167)	\$ -	\$ -	\$ (13,167)
-	(215,343)	-	(215,343)
-	(391,335)	-	(391,335)
-	-	(7,130,502)	(7,130,502)
-	-	(1,588,136)	(1,588,136)
(13,167)	(606,678)	(8,718,638)	(9,338,483)
-	1,611,247	199,940	1,811,187
42	38,588	128,513	167,143
42	1,649,835	328,453	1,978,330
(13,125)	1,043,157	(8,390,185)	(7,360,153)
13,125	(1,091,318)	(16,652,633)	(17,730,826)
<u>\$ -</u>	<u>\$ (48,161)</u>	<u>\$ (25,042,818)</u>	<u>\$ (25,090,979)</u>



# Charter Township of Van Buren

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**Notes to Financial Statements  
December 31, 2004**

## **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Charter Township of Van Buren (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Charter Township of Van Buren:

### **Reporting Entity**

The Township is governed by an elected seven-member board of trustees. The accompanying financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township (see discussion below for description).

### **Discretely Presented Component Units**

The Downtown Development Authority (DDA) was created to correct and prevent deterioration in a specific district, encourage historical preservation, and to promote economic growth within a specific district. The DDA's governing body, which consists of 11 individuals, is selected by the board of trustees. In addition, the DDA's budget is subject to approval by the board of trustees. Complete financial statements can be obtained from the Charter Township of Van Buren at 46425 Tyler Road, Van Buren Township, Michigan 48111.

The Economic Development Corporation (EDC) was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the Township so as to provide needed services and facilities of such enterprises to the residents of the Township. The EDC's governing body, which consists of 10 individuals, is selected by the board of trustees. Complete financial statements can be obtained from the Charter Township of Van Buren at 46425 Tyler Road, Van Buren Township, Michigan 48111.

The Local Development Financing Authority (LDFA) was created to encourage local development to prevent conditions of unemployment and promote economic growth. This purpose is accomplished by the LDFA by collecting captured property taxes under a tax increment financing plan in accordance with state law and budgeting expenditures for improvements in the LDFA's district boundaries. The LDFA's governing body, which consists of 11 individuals, is selected by the board of trustees. Complete financial statements can be obtained from the Charter Township of Van Buren at 46425 Tyler Road, Van Buren Township, Michigan 48111.

# **Charter Township of Van Buren**

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## **Notes to Financial Statements December 31, 2004**

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual Enterprise Fund are reported as separate columns in the fund financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund, and component unit financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# Charter Township of Van Buren

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## Notes to Financial Statements December 31, 2004

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability. All other revenue items are considered to be available only when cash is received by the Township.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

**General Fund** - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Landfill Fund** - The Landfill Fund accounts for royalty payments received related to the landfill.

The Township reports the following major proprietary fund:

**Water and Sewer Fund** - The Water and Sewer Fund is used to account for the results of operations that provide water and sewer services to residents, financed primarily by a user charge for the provision of those services and a local property tax levy.

Additionally, the Township reports the following fund type:

**Agency Funds** - The Agency Funds account for assets held by the Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

# **Charter Township of Van Buren**

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## **Notes to Financial Statements December 31, 2004**

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Township has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Fund relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. Property taxes to be used for capital costs and debt service are recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

#### **Property Tax Revenue**

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Township's 2003 ad valorem tax is levied and collectible on December 1, 2003 and is recognized as revenue in the year ended December 31, 2004, when the proceeds of the levy are budgeted and available for the financing of operations.

# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2004

### Note 1 - Summary of Significant Accounting Policies (Continued)

The 2003 taxable valuation of the Township totaled \$827,339,854 (a portion of which is abated and a portion of which is captured by the LDFA and DDA), on which ad valorem taxes levied consisted of .9245 mills for operating purposes, 3.0000 mills for public safety, and 6.0000 mills for water and sewer. This resulted in \$680,000 for operating, \$2,176,000 for public safety, and \$4,896,000 for water and sewer. These amounts are recognized in the General and Water and Sewer Funds financial statements as tax revenue.

#### **Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

**Prepaid Items** - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets** - Restricted assets of the Water and Sewer Fund represent amounts on deposit at the county and property tax collections to be used for the capital costs or debt service of the Township's water and sewer lines. The Downtown Development Authority Bonds and the Local Development Finance Authority Bonds require amounts to be set aside for debt service principal and interest and bond reserves. Additionally, the unspent bond proceeds of the Local Development Finance Authority are required to be set aside for construction. These amounts have also been classified as a restricted asset.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2004

### Note 1 - Summary of Significant Accounting Policies (Continued)

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Utility system	50 years
Land improvement	15 years
Buildings and improvements	50 years
Equipment and furniture	5-10 years
Vehicles	5 years
French Landing Dam	50 years

**Compensated Absences (Vacation and Sick Leave)** - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

# Charter Township of Van Buren

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## Notes to Financial Statements December 31, 2004

### Note 2 - Stewardship, Compliance, and Accountability

**Budgetary Information** - The annual budget is prepared by the Township treasurer and adopted by the Township board; subsequent amendments are approved by the Township board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2004 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

Annual budgets are adopted on a consistent basis with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds with the following exceptions:

- Proceeds from the issuance of debt are budgeted as an offset to the departmental expense for the related capital outlay purchase.
- Certain federal revenue is budgeted as an offset to the related expenditures being reimbursed.

Budgets were adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget and Major Special Revenue Funds budgets as adopted by the Township Board is included in the required supplemental information.

This comparison includes expenditure budget overruns. A comparison of the actual results of operations to the nonmajor Special Revenue Funds budgets as adopted by the Township Board is available at the Clerk's office for inspection.

The only significant expenditure budget overruns for the year ended December 31, 2004 include the police expenditures being higher than budgeted due to promotion of two officers, two additional officers being added to the force, and overtime costs for which the budget was not amended; and environmental management due to expenditures for projects in which federal monies were not received within 60 days of year end to offset those costs.

**Fund Deficits** - The deficit in the Lohr Road Fund of \$93,182 will be eliminated in future years as special assessment district collections are received.

The accumulated deficit in the Community Development Block Grant Fund of \$3,706 will be eliminated upon receipt of a reimbursement from the County.

# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2004

### Note 2 - Stewardship, Compliance, and Accountability (Continued)

**Construction Code Fees** - The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Shortfall at January 1, 2004	\$ (192,566)
Current year building permit revenue	887,298
Related expenses:	
Direct costs	920,249
Estimated indirect costs	<u>194,942</u>
Total construction code expenses	<u>1,115,191</u>
Cumulative shortfall at December 31, 2004	<u><u>\$ (420,459)</u></u>

### Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. To the extent that cash from various funds has been pooled in an investment vehicle, related investment income is allocated to each fund based on relative participation in the pool, except that Agency Funds investment earnings are allocated to the General Fund. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all of the State statutory authority as listed above.



# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2004

### Note 3 - Deposits and Investments (Continued)

The Charter Township of Van Buren's deposits and investment policies are in accordance with statutory authority.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Total Primary Government	Fiduciary Funds	Component Units
Cash and investments	\$ 14,483,978	\$ 5,278,947	\$ 19,762,925	\$ 1,992,731	\$ 4,267,153
Restricted assets	-	12,403,922	12,403,922	-	8,036,963
Total	<u>\$ 14,483,978</u>	<u>\$ 17,682,869</u>	<u>\$ 32,166,847</u>	<u>\$ 1,992,731</u>	<u>\$ 12,304,116</u>

The breakdown between deposits and investments for the Township is as follows:

	Primary Government	Fiduciary Funds	Component Units
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 29,230,576	\$ 1,992,731	\$ 11,329,552
Investments in securities, mutual funds, and similar vehicles	2,934,771	-	974,563
Petty cash or cash on hand	<u>1,500</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 32,166,847</u>	<u>\$ 1,992,731</u>	<u>\$ 12,304,116</u>

The bank balance of the Township's deposits is \$29,098,186, of which \$2,100,000 is covered by federal depository insurance. The component units' deposits had a bank balance of \$11,329,552, of which \$200,000 was covered by federal depository insurance.

The Township's investments are categorized into these three categories of credit risk:

Category 1 - Insured or registered, with securities held by the Township or its agent in the Township's name;

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name; and

# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2004

### Note 3 - Deposits and Investments (Continued)

Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Township's name.

	Category			Reported Amount (Fair Value)
	1	2	3	
Primary government U.S. government securities	\$ -	\$ 2,050,000	\$ -	\$ 2,050,000
Investments not subject to categorization - Interlocal agreement investment pool funds				884,831
Total primary government				\$ 2,934,831
Component units - Mutual funds				\$ 974,563

The fair value of the position in the interlocal agreement investment pools (MBIA-CLASS) and the mutual funds are the same value of the pool shares. These investments are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in these funds comply with the investment authority noted above. Investments not subject to categorization are not evidenced by securities that exist in physical or book entry form.

Included in the investments as of December 31, 2004 is \$2,050,000 of securities issued by the Federal Home Loan Bank or Freddie Mac. These investments are usually not backed by the full faith and credit of the U.S. government, but are generally considered to offer modest credit risks. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.

# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2004

### Note 4 - Capital Assets

Capital asset activity of the Township's governmental activities, business-type activities, and component units was as follows:

	Balance January 1, 2004	Additions	Disposals and Adjustments	Balance December 31, 2004
<b>Governmental Activities</b>				
Capital assets not being depreciated - Land	\$ 262,300	\$ 1,376,293	\$ -	\$ 1,638,593
Capital assets being depreciated:				
Land improvements	463,445	56,549	-	519,994
Buildings and improvements	5,302,246	440,646	-	5,742,892
Equipment and furniture	1,997,740	199,281	15,618	2,181,403
Vehicles	2,429,895	939,836	183,328	3,186,403
French Landing Dam	2,809,800	-	-	2,809,800
Subtotal	13,003,126	1,636,312	198,946	14,440,492
Accumulated depreciation:				
Land improvements	27,155	29,575	-	56,730
Buildings and improvements	978,693	137,727	-	1,116,420
Equipment and furniture	1,165,215	254,146	15,226	1,404,135
Vehicles	1,969,839	242,778	166,620	2,045,997
French Landing Dam	1,685,880	56,196	-	1,742,076
Subtotal	5,826,782	720,422	181,846	6,365,358
Net capital assets being depreciated	7,176,344	915,890	17,100	8,075,134
Net capital assets	<u>\$ 7,438,644</u>	<u>\$ 2,292,183</u>	<u>\$ 17,100</u>	<u>\$ 9,713,727</u>

# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2004

### Note 4 - Capital Assets (Continued)

	Balance January 1, 2004	Reclassifications*	Additions	Disposals and Adjustments	Balance December 31, 2004
<b>Business-type Activities</b>					
Capital assets not being depreciated - Construction in progress	\$ 3,455,647	\$ (1,721,773)	\$ 1,500,699	\$ -	\$ 3,234,573
Capital assets being depreciated:					
Buildings	300,000	-	-	-	300,000
Utility system	62,113,150	1,721,773	71,818	(89,829)	63,816,912
Equipment	474,470	-	30,853	(62,971)	442,352
Vehicles	321,147	-	151,409	(48,285)	424,271
Subtotal	63,208,767	1,721,773	254,080	(201,085)	64,983,535
Accumulated depreciation:					
Buildings	48,000	-	6,000	-	54,000
Utility system	19,573,512	-	1,237,037	-	20,810,549
Equipment	346,630	-	45,301	(62,971)	328,960
Vehicles	218,272	-	28,337	(40,406)	206,203
Subtotal	20,186,414	-	1,316,675	(103,377)	21,399,712
Net capital assets being depreciated	43,022,353	1,721,773	(1,062,595)	(97,708)	43,583,823
Net capital assets	<u>\$ 46,478,000</u>	<u>\$ -</u>	<u>\$ 438,104</u>	<u>\$ (97,708)</u>	<u>\$ 46,818,396</u>

\* The Township reclassified certain water and sewer utility construction projects from construction in progress to reflect the assets placed in service during the year ended December 31, 2004.

	Balance January 1, 2004	Additions	Disposals and Adjustments	Balance December 31, 2004
<b>Component Unit - DDA</b>				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 10,330	\$ -	\$ 10,330
Land	-	505,822	-	505,822
Subtotal	-	516,152	-	516,152
Capital assets being depreciated - Land improvements	1,384,497	-	-	1,384,497
Accumulated depreciation - Land improvements	158,707	76,245	-	234,952
Net component unit capital assets being depreciated	1,225,790	(76,245)	-	1,149,545
Net capital assets	<u>\$ 1,225,790</u>	<u>\$ 439,907</u>	<u>\$ -</u>	<u>\$ 1,665,697</u>

# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2004

### Note 4 - Capital Assets (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 91,343
Public works	56,196
Public safety	423,532
Community and economic development	34,837
Recreation and culture	<u>114,514</u>

Total governmental activities \$ 720,422

Business-type activities - Water and sewer \$ 1,316,675

**Construction Commitments** - The Township has active construction projects at year end. At year end, the Township's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Ecorse Road Water Main/Visteon Water and Sewer Construction Project - Haggerty to Visteon Way	\$ 791,975	\$ 162,554
Ecorse Road Water Main/Visteon Water and Sewer Construction Project - Visteon Way to Hannan	143,558	6,949
Total other projects	<u>178,739</u>	<u>188,068</u>
Total	<u>\$ 1,114,272</u>	<u>\$ 357,571</u>

### Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor governmental funds	\$ 64,855
Landfill Fund	Nonmajor governmental funds	93,182
Water and Sewer Fund	General Fund	<u>2,050</u>
Total		<u>\$ 160,087</u>

# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2004

### Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Providing Resources	Fund Receiving Resources	Amount
Landfill	General Fund	\$ 2,000,000
Landfill	Capital Improvement	352,500
Bemis Road Project	Landfill	114,703
Total		<u>\$ 2,467,203</u>

The transfer from the Landfill Fund to the General Fund represents royalties received from Waste Management, of which \$1,650,000 represents the use of unrestricted resources to finance general government operations, in accordance with budgetary authorizations. The remaining funds received by the Landfill Fund from Waste Management and transferred to the General Fund are for the following purposes: \$200,000 for public health safety and welfare; \$100,000 for parks and recreation beautification and improvements; and \$50,000 for environmental protections.

The transfers from the Landfill Fund to the Capital Improvement Fund represent funds used for construction of capital assets within the Township.

### Note 6 - Long-term Debt

The Township issues bonds to provide for the acquisition and construction of major capital facilities. County contractual agreements and State Revolving Funds are obligations of the Water and Sewer Fund.

The employee compensated absences represent the estimated liability to be paid to employees under the Township's vacation policy. Under the Township's policy, employees earn vacation time based on time of service with the Township.

# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2004

### Note 6 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
Installment Purchase Obligation - Pierce Class "A" Fire		\$72,523 -					
Amount of issue - \$385,079	4.37%	\$82,670	\$ -	\$ 385,079	\$ (74,988)	\$ 310,091	\$ 72,523
Other long-term obligations - Compensated absences			46,756	23,420	-	70,176	-
Total governmental activities			\$ 46,756	\$ 408,499	\$ (74,988)	\$ 380,267	\$ 72,523
<b>Business-type Activities</b>							
Contractual obligations with Wayne County:							
Metropolitan Water Supply System, Series III Bonds							
Amount of issue - \$875,000							
Maturing through 2005	4.00%	\$40,000	\$ 80,000	\$ -	\$ (40,000)	\$ 40,000	\$ 40,000
Metropolitan Sewerage and Sewer Disposal System, Series I Bonds:							
Amount of issue - \$2,750,000							
Maturing through 2005	4.125%	\$100,000	200,000	-	(100,000)	100,000	100,000
Metropolitan Sewerage and Sewer Disposal System, Series II Bonds:							
Amount of issue - \$1,675,000							
Maturing through 2005	4.00%	\$60,000	120,000	-	(60,000)	60,000	60,000
1994 Water Refunding Bonds:							
Amount of issue - \$445,589							
Maturing through 2004	5.60%	\$50,374	50,374	-	(50,374)	-	-
1994 Sewer Refunding Bonds:							
Amount of issue - \$848,627							
Maturing through 2004	5.60%	\$72,708	72,708	-	(72,708)	-	-
1994 Wastewater Refunding Bonds:							
Amount of issue - \$677,368							
Maturing through 2009	6.00%	\$49,032 - \$65,376	346,402	-	(49,032)	297,370	53,118
Metropolitan Water Supply System, Series IV Bonds:							
Amount of issue - \$1,000,000							
Maturing through 2006	6.50%	\$60,000	120,000	-	-	120,000	60,000
Metropolitan Sewerage and Sewer Disposal System, Series III Bonds:							
Amount of issue - \$2,000,000							
Maturing through 2006	6.50%	\$80,000	160,000	-	-	160,000	80,000
Downriver Sewage Disposal Bonds, Series A:							
Amount of issue - \$73,539	4.5% -	\$5,661					
Maturing through 2013	5.125%	\$9,454	71,105	-	(6,510)	64,595	5,944
Downriver Sewage Disposal System Bonds, Partial Completion Bonds:							
Amount of issue - \$283,580	4.5% -	\$11,434 -					
Maturing through 2018	5.125%	\$22,206	242,570	-	(11,437)	231,133	11,906
State Revolving Fund - Downriver Sewage Downriver Sewage Disposal System Bonds:							
Amount of issue - \$2,364,903							
Maturing through 2021	2.00%	\$102 - \$62,460	1,762,430	-	(110,370)	1,652,060	106,424
Contractual obligations with Canton, Van Buren, and Sumpter Water and Sewer Disposal Authority:							
1993 Sewage Disposal and Water Supply System Refunding Bonds:							
Amount of issue - \$3,285,000							
Maturing through 2004	5.70%	\$275,000	275,000	-	(275,000)	-	-
South Huron Valley Wastewater Control System: SRF Expansion Bonds:							
Amount of issue - \$26,615,000							
Maturing through 2020	2.25%	\$333,062 - \$476,222	6,821,936	-	(418,627)	6,403,309	337,445
Deferred amount on refunding			(50,340)	-	9,439	(40,901)	-
South Huron Valley Wastewater Control System Bonds - SRF:							
Amount of issue - \$1,803,964							
Maturing through 2011	2.00%	\$103,003 - \$117,815	881,878	-	(103,003)	778,875	104,414
Compensated absences			19,911	-	-	19,911	-
Total business-type activities			\$ 11,173,974	\$ -	\$ (1,287,622)	\$ 9,886,352	\$ 959,251

# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2004

### Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Component Units</b>							
Downtown Development Authority							
1995 Revenue Bonds:							
Amount of issue - \$5,000,000		\$125,000 -					
Maturing through 2016	8.40%	\$700,000	\$ 4,690,000	\$ -	\$ (125,000)	\$ 4,565,000	\$ 155,000
Local Development Financing Authority							
Tax Increment Bonds - Series 2003:	2.25%						
Amount of issue - \$28,199,656	5.25%	\$395,000 -					
Maturing through 2032		\$6,245,000	28,199,656	-	(395,000)	27,804,656	650,000
Total component unit activities			\$ 32,889,656	\$ -	\$ (520,000)	\$ 32,369,656	\$ 805,000

The Township has committed its full faith and credit for all debt outstanding for the Local Development Finance Authority.

Annual debt service requirements to maturity for the above bond and note obligations are as follows:

	Governmental Activities			Business-type Activities			Component Units		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 72,523	\$ 13,835	\$ 86,358	\$ 959,251	\$ 246,976	\$ 1,206,227	\$ 805,000	\$ 1,356,878	\$ 2,161,878
2006	75,759	10,599	86,358	734,180	214,769	948,949	830,000	1,329,289	2,159,289
2007	79,139	7,219	86,358	652,114	193,624	845,738	865,000	1,298,367	2,163,367
2008	82,670	3,688	86,358	667,513	176,500	844,013	920,000	1,262,970	2,182,970
2009	-	-	-	683,705	158,829	842,534	980,000	1,222,408	2,202,408
2010-2014	-	-	-	2,937,268	579,019	3,516,287	3,590,000	5,503,411	9,093,411
2015-2019	-	-	-	2,736,451	244,600	2,981,051	7,915,000	3,731,669	11,646,669
2020-2024	-	-	-	495,959	11,478	507,437	9,161,090	3,413,907	12,574,997
2025-2029	-	-	-	-	-	-	5,233,608	8,624,504	13,858,112
2029-2034	-	-	-	-	-	-	2,069,958	6,905,042	8,975,000
Total	\$ 310,091	\$ 35,341	\$ 345,432	\$ 9,866,441	\$ 1,825,795	\$ 11,692,236	\$ 32,369,656	\$ 34,648,445	\$ 67,018,101

### Note 7 - Restricted Assets

The balances of the restricted asset accounts are as follows:

	Component Units			
	Business-type Activities	DDA	LDFA	Total Component Units
Cash and equivalents:				
Property tax collections	\$ 12,403,922	\$ -	\$ -	\$ -
Bond reserve	-	-	2,623,102	2,623,102
Working capital reserve	-	500,000	-	500,000
Unspent bond proceeds	-	175,000	4,738,861	4,913,861
Net assets held by Wayne County	1,359,631	-	-	-
Total restricted assets	\$ 13,763,553	\$ 675,000	\$ 7,361,963	\$ 8,036,963



# **Charter Township of Van Buren**

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## **Notes to Financial Statements December 31, 2004**

### **Note 7 - Restricted Assets (Continued)**

Enterprise Fund net assets totaling \$1,359,631 are restricted for water line and sewer system construction, replacement and improvement, and debt service. These restricted assets result from the issuance of debt or the receipt of contributed capital and, therefore, it is not necessary to restrict net assets. The remaining balance of \$12,403,922 is from property tax collections and is restricted for debt service payments. Net assets have been restricted for this amount.

Restricted assets in the Downtown Development Authority are restricted for the purpose of the 1995 revenue bond debt reserve requirements. Net assets have been restricted for \$675,000. Restricted assets in the Local Development Finance Authority are restricted for the 2003 revenue bond debt reserve requirements and unspent bond proceeds. Net assets have been restricted for \$2,127,875.

### **Note 8 - Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for employee injuries and medical benefits, and participates in the risk pool for claims relating to property loss, torts, and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the Township.

# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2004

### Note 8 - Risk Management (Continued)

The Township estimates the liability for general liability claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the government-wide statements and the Water and Sewer Fund. Changes in the estimated liability for the years ended December 31, 2004 and 2003 were as follows:

Estimated liability - January 1, 2003	\$ -
Claims incurred - Including changes in estimates	53,394
Claim payments	<u>(53,394)</u>
Estimated liability - December 31, 2003	-
Claims incurred - Including changes in estimates	95,869
Claim payments	<u>(95,869)</u>
Estimated liability - December 31, 2004	<u><u>\$ -</u></u>

### Note 9 - Defined Contribution Pension Plan

The Township provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate as of the first day of the next month after employment. As established by union or employee contractual agreements with general government employees, the Township contributes 12 percent of employees' base earnings and employees contribute a minimum of 5 percent of earnings, with the option of contributing up to 15 percent. In accordance with these requirements, the Township contributed approximately \$488,000 during the current year, and employees contributed approximately \$237,000.

### Note 10 - Defined Benefit Pension Plan

**Plan Description** - During the year ended December 31, 2004, the Township's police command, police officers, and dispatch employees began to participate in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, Michigan 48917.

# **Charter Township of Van Buren**

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## **Notes to Financial Statements December 31, 2004**

### **Note 10 - Defined Benefit Pension Plan (Continued)**

**Funding Policy** - The obligation to contribute to and maintain the MERS for these employees was established by negotiation with the Township's collective bargaining units and arbitration rulings under Michigan Public Act 312 of 1969.

**Annual Pension Costs** - For the year ended December 31, 2004, the Township's annual pension cost of \$79,828 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an initial actuarial valuation performed by MERS at October 1, 2001, using an entry age normal actuarial method. Significant actuarial assumptions used include: (a) an 8 percent investment rate of return, and (b) projected salary increases of 4.5 percent per year, attributable to inflation plus additional salary increases attributable to seniority/merit. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll over a period of years. The remaining amortization period is 30 years.

As stated above, the Township's participation in the plan commenced during the fiscal year. A valuation as of December 31, 2003 or 2004 is not available and therefore no information has been included regarding the funding status of the plan. An actuarial valuation will be performed for the year ended December 31, 2004.

### **Note 11 - Contingent Liabilities**

The Township has been named as a defendant in a lawsuit alleging violations of the Clean Water Act occurring in the Downriver Sewage Treatment System. Several other communities, including Wayne County, were also named as defendants. Under terms of the consent decree, the communities are required to undertake construction projects to expand the capacity of the system and eliminate any violations of the Clean Water Act. The estimated total cost of the project is approximately \$283,000,000, with the Township's share estimated to be approximately \$2,580,000.

### **Note 12 - Other Postemployment Benefits**

The Township provides health care benefits to all full-time employees meeting age and years of service requirements, upon retirement, in accordance with labor contracts. Currently, 12 retirees are eligible. The Township includes pre-Medicare retirees and their spouses (with a co-pay) in its insured health care plan. The Township purchases supplemental insurance for eligible retirees.

# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2004

### Note 12 - Other Postemployment Benefits (Continued)

Expenditures for postemployment health care benefits are recognized in the General and Water and Sewer Funds as the insurance premiums become due; during the year, this amounted to approximately \$85,000 and \$10,000, respectively.

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2008.

### Note 13 - Designated Fund Balance

Fund balances have been designated for the following purposes:

	General Fund	Capital Projects Fund
Senior center bequest fund	\$ 29,000	\$ -
Estimated future insurance claims	250,000	-
French Landing Dam improvements	107,500	-
Network computer system purchase	20,000	-
Compensated absences	70,176	-
Sidewalk maintenance	25,000	-
Land and municipal facilities purchase	800,000	-
Estimated tax commission adjustment	240,000	-
Capital improvement	-	608,242
Fire equipment replacement	406,849	-
Designated for subsequent year's budgeted expenditures in excess of budgeted revenue	300,000	-
Total	<u>\$ 2,248,525</u>	<u>\$ 608,242</u>

# **Charter Township of Van Buren**

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## **Notes to Financial Statements December 31, 2004**

### **Note 14 - Joint Ventures**

The Township is a member of the South Huron Valley Utility Authority (the "Authority"). The Authority is a joint venture of the charter townships of Brownstown, Huron, and Van Buren, the cities of Flat Rock, Gibraltar, Romulus, and Woodhaven, and the village of South Rockwood. The Authority was founded in order to acquire and operate a sewage disposal and wastewater treatment system. During the year, the Township contributed \$364,437 toward the operation of the system. In addition, debt payments of \$599,761, including both principal and interest, were made to the Authority. The Township's portion of the debt is recorded in the Township's Water and Sewer Fund. During the current year, the Authority issued new debt to fund an expansion to the system. The Township made a payment of approximately \$749,000 to fund their portion of the expansion in lieu of incurring additional debt. The Township's share of the capital assets and net operating excess is also reflected in the Water and Sewer Fund. Complete financial statements for the Authority can be obtained from the administrative offices at 46425 Tyler Road, Belleville, MI 48111. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

The Township, along with 12 other communities, jointly participates in the Downriver Sewage Disposal System. The Township's share of capital assets, restricted assets (for debt service), excess operating assets, and related debt is recorded in the Water and Sewer Fund. During the year, the Township paid \$267,297 for operations of the system and \$162,090 for debt service. Complete financial statements can be obtained from the administrative offices at 415 Clifford, Detroit, MI 48226. The Township is unaware of any circumstances that would cause additional benefit or burden to the participating governments in the near future other than the items noted in Note 11.

# Charter Township of Van Buren

## Notes to Financial Statements December 31, 2004

### Note 15 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned, as does the Enterprise Fund. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Governmental Funds			Enterprise Fund
	Unavailable	Unearned	Total	Unearned
Property taxes levied for 2005	\$ -	\$ 3,445,289	\$ 3,445,289	\$ 5,009,573
Special assessments	116,105	-	116,105	-
Grants not received within 60 days after year end	243,222	-	243,222	-
Program income not spent by December 31, 2004	-	39,881	39,881	-
Total	<u>\$ 359,327</u>	<u>\$ 3,485,170</u>	<u>\$ 3,844,497</u>	<u>\$ 5,009,573</u>

## **Required Supplemental Information**

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# Charter Township of Van Buren

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 682,000	\$ 670,665	\$ 813,789	\$ 143,124
Public safety tax revenue	2,165,000	2,149,200	2,146,392	(2,808)
Licenses and permits	1,101,000	1,117,000	1,141,730	24,730
State sources	2,010,138	2,039,400	2,029,958	(9,442)
Charges for services	491,800	591,530	584,270	(7,260)
Fines and costs	410,000	234,125	240,239	6,114
Interest income	90,000	105,000	109,914	4,914
Other revenue	634,215	750,341	762,450	12,109
Total revenue	<u>\$ 7,584,153</u>	<u>\$ 7,657,261</u>	<u>\$ 7,828,742</u>	<u>\$ 171,481</u>
<b>Other Financing Sources - Operating</b>				
transfer in	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ -</u>
<b>Expenditures</b>				
General government:				
Township Board	\$ 211,744	\$ 232,344	\$ 223,879	\$ 8,465
Supervisor	188,001	188,921	185,948	2,973
Elections	87,800	90,480	84,896	5,584
Assessor	218,460	235,227	230,830	4,397
Clerk	345,060	346,560	330,311	16,249
General office	257,200	298,200	282,379	15,821
Treasurer	285,512	285,510	278,425	7,085
Buildings and grounds	606,060	597,149	589,986	7,163
Accounting	55,000	56,500	56,650	(150)
Attorney fees	225,000	225,000	209,514	15,486
Cemetery	7,300	6,300	3,135	3,165
Total general government	2,487,137	2,562,191	2,475,953	86,238
Public safety:				
Police	3,389,439	3,327,191	3,600,830	(273,639)
Fire	1,022,036	795,634	840,930	(45,296)
Dispatch operation and maintenance	411,781	508,281	490,299	17,982
Emergency management	6,863	6,863	7,708	(845)
Animal control	86,304	86,304	78,457	7,847
Building	1,003,728	947,341	920,251	27,090
Total public safety	5,920,151	5,671,614	5,938,475	(266,861)



# Charter Township of Van Buren

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended December 31, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Expenditures (Continued)</b>				
Community and economic development:				
Cable television	\$ 116,750	\$ -	\$ -	\$ -
Environmental management	167,948	205,543	385,577	(180,034)
Total community and economic development	284,698	205,543	385,577	(180,034)
Recreation and culture:				
Senior citizens	197,839	141,575	176,526	(34,951)
Community services	153,000	164,500	153,587	10,913
Parks and lakes	356,525	330,030	315,075	14,955
Special events	87,055	101,055	95,340	5,715
Recreation	323,714	312,714	305,345	7,369
Library	350,141	368,124	368,124	-
Total recreation and culture	1,468,274	1,417,998	1,413,997	4,001
Public works - Contracted services	101,000	137,000	99,682	37,318
Other - Insurance and other	571,000	536,000	532,494	3,506
Total expenditures	10,832,260	10,530,346	10,846,178	(315,832)
<b>Excess of Expenditures Over Revenues and Other Financing Sources</b>	(1,248,107)	(873,085)	(1,017,436)	(144,351)
<b>Fund Balance - Beginning of year</b>	3,676,125	3,873,084	3,873,084	-
<b>Fund Balance - End of year</b>	<u>\$ 2,428,018</u>	<u>\$ 2,999,999</u>	<u>\$ 2,855,648</u>	<u>\$ (144,351)</u>

# Charter Township of Van Buren

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds Year Ended December 31, 2004

	Landfill			Variance with
	Original Budget	Amended Budget	Actual	Amended Budget
<b>Revenues</b>				
Interest	\$ 100,000	\$ 100,000	\$ 106,057	\$ 6,057
Landfill royalties	2,548,400	2,672,768	3,126,294	453,526
Total revenues	2,648,400	2,772,768	3,232,351	459,583
<b>Expenditures - Public safety</b>	1,500	397,500	395,378	2,122
<b>Excess of Revenues Over Expenditures</b>	2,646,900	2,375,268	2,836,973	461,705
<b>Other Financing Sources (Uses)</b>				
Operating transfers in	-	-	114,703	114,703
Operating transfers out	(2,000,000)	(2,352,500)	(2,352,500)	-
<b>Total Other Financing Uses</b>	(2,000,000)	(2,352,500)	(2,237,797)	114,703
<b>Excess of Revenues Over Expenditures and Other Financing Uses</b>	646,900	22,768	599,176	576,408
<b>Fund Balance - Beginning of year</b>	8,221,329	8,470,373	8,470,373	-
<b>Fund Balance - End of year</b>	<u>\$ 8,868,229</u>	<u>\$ 8,493,141</u>	<u>\$ 9,069,549</u>	<u>\$ 576,408</u>

## **Other Supplemental Information**

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# Charter Township of Van Buren

	Special Revenue Funds			
	French Landing			
	Community Development Block Grant	Dam Improvement Project	Drug Forfeiture - Federal	Capital Improvement
<b>Assets</b>				
Cash and investments	\$ -	\$ -	\$ 90,451	\$ 754,821
Special assessments	-	-	-	-
Due from other funds	-	-	-	-
Due from other governmental units	52,238	-	-	-
Prepaid expenditures	-	-	-	-
Total assets	<u>\$ 52,238</u>	<u>\$ -</u>	<u>\$ 90,451</u>	<u>\$ 754,821</u>
<b>Liabilities and Fund Balances (Deficit)</b>				
<b>Liabilities</b>				
Accounts payable	\$ 3,579	\$ -	\$ -	\$ 146,579
Accrued and other liabilities	-	-	-	-
Due to other funds	12,484	-	-	-
Deferred revenue	<u>39,881</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	55,944	-	-	146,579
<b>Fund Balances (Deficit)</b>				
Reserved	-	-	90,451	-
Unreserved - Designated	-	-	-	608,242
Unreserved - Undesignated	<u>(3,706)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances (deficit)	<u>(3,706)</u>	<u>-</u>	<u>90,451</u>	<u>608,242</u>
Total liabilities and fund balances (deficit)	<u>\$ 52,238</u>	<u>\$ -</u>	<u>\$ 90,451</u>	<u>\$ 754,821</u>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2004**

Special Revenue Funds							Total Nonmajor Governmental Funds
Drug Forfeiture - State	911 Service	Museum	Cable	Bemis Road Project	Hannan Road Project	Lohr Road Project	
\$ 115,910	\$ 519,455	\$ 17,469	\$ 174,598	\$ 87,657	\$ -	\$ -	\$ 1,760,361
-	-	-	-	11,056	-	105,049	116,105
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	52,238
-	-	568	-	-	-	-	568
<u>\$ 115,910</u>	<u>\$ 519,455</u>	<u>\$ 18,037</u>	<u>\$ 174,598</u>	<u>\$ 98,713</u>	<u>\$ -</u>	<u>\$ 105,049</u>	<u>\$ 1,929,272</u>
\$ -	\$ 13,878	\$ 1,687	\$ 18,566	\$ -	\$ -	\$ -	\$ 184,289
-	-	-	764	-	-	-	764
-	30,659	-	21,712	-	-	93,182	158,037
-	-	-	-	11,056	-	105,049	155,986
-	44,537	1,687	41,042	11,056	-	198,231	499,076
115,910	474,918	16,350	-	-	-	-	697,629
-	-	-	-	-	-	-	608,242
-	-	-	133,556	87,657	-	(93,182)	124,325
<u>115,910</u>	<u>474,918</u>	<u>16,350</u>	<u>133,556</u>	<u>87,657</u>	<u>-</u>	<u>(93,182)</u>	<u>1,430,196</u>
<u>\$ 115,910</u>	<u>\$ 519,455</u>	<u>\$ 18,037</u>	<u>\$ 174,598</u>	<u>\$ 98,713</u>	<u>\$ -</u>	<u>\$ 105,049</u>	<u>\$ 1,929,272</u>

# Charter Township of Van Buren

	Special Revenue Funds			
	Community Development Block Grant	French Landing Dam Improvement Project	Drug Forfeiture - Federal	Capital Improvement
<b>Revenue</b>				
Federal sources	\$ 77,929	\$ -	\$ -	\$ -
Special assessments	-	-	-	-
Interest	-	-	34,321	10,056
911 revenue	-	-	-	-
Museum contributions and other	-	-	-	-
Forfeitures and seizures	-	-	3,280	-
Total revenue	77,929	-	37,601	10,056
<b>Expenditures</b>				
Public safety	-	-	48,028	-
Public works	-	33	-	-
Community and economic development	77,893	-	-	-
Recreation and culture	-	-	-	-
Other	-	-	-	415,927
Total expenditures	77,893	33	48,028	415,927
<b>Excess of Revenue Over (Under) Expenditures</b>	36	(33)	(10,427)	(405,871)
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	-	352,500
Transfers out	-	-	-	-
<b>Net Change in Fund Balances</b>	36	(33)	(10,427)	(53,371)
<b>Fund Balances (Deficit) - Beginning of year</b>	(3,742)	33	100,878	661,613
<b>Fund Balances (Deficit) - End of year</b>	<u>\$ (3,706)</u>	<u>\$ -</u>	<u>\$ 90,451</u>	<u>\$ 608,242</u>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes**  
**in Fund Balances (Deficit) - Nonmajor Governmental Funds**  
**Year Ended December 31, 2004**

Special Revenue Funds							Total Nonmajor Governmental Funds
Drug Forfeiture - State	911 Service	Museum	Cable	Bemis Road Project	Hannan Road Project	Lohr Road Project	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 77,929
-	-	-	-	22,506	-	16,418	38,924
1,335	6,088	315	1,383	1,209	4	-	54,711
-	103,927	-	-	-	-	-	103,927
-	-	70,243	232,754	-	-	-	302,997
23,408	-	-	-	-	-	-	26,688
24,743	110,015	70,558	234,137	23,715	4	16,418	605,176
6,609	62,217	-	-	-	-	-	116,854
-	-	-	-	-	1,146	-	1,179
-	-	-	124,247	-	-	-	202,140
-	-	75,815	-	-	-	-	75,815
-	-	-	-	-	-	-	415,927
6,609	62,217	75,815	124,247	-	1,146	-	811,915
18,134	47,798	(5,257)	109,890	23,715	(1,142)	16,418	(206,739)
-	-	-	-	-	-	-	352,500
-	-	-	-	(114,703)	-	-	(114,703)
18,134	47,798	(5,257)	109,890	(90,988)	(1,142)	16,418	31,058
97,776	427,120	21,607	23,666	178,645	1,142	(109,600)	1,399,138
<b>\$ 115,910</b>	<b>\$ 474,918</b>	<b>\$ 16,350</b>	<b>\$ 133,556</b>	<b>\$ 87,657</b>	<b>\$ -</b>	<b>\$ (93,182)</b>	<b>\$ 1,430,196</b>

April 25, 2005

Board of Trustees  
Charter Township of Van Buren  
Wayne County, MI

Dear Board Members:

We have recently completed our audit of the financial statements of the Charter Township of Van Buren for the year ended December 31, 2004. As a result, we offer the following comments and recommendations for your consideration:

### **Revenue Sharing**

State shared revenue accounts for approximately 25% of the Township's total General Fund revenue. Because of slower than anticipated growth in the State's sales tax collections (the sole source of revenue sharing payments to local units of government) and the State's budget problems which have resulted in additional appropriation reductions to the revenue sharing line item in the State's budget, revenue sharing payments for the last several years have been lower than anticipated.

### **2005**

As you are probably aware, the Governor's budget for the State's 2005 fiscal year contains a provision to not pay counties statutory revenue sharing (the counties only source of revenue sharing). Instead, the counties will change their property tax levy date for their operating millage from December to July (beginning in 2005). A portion of the additional funds generated from the early property tax levy will be used by the counties over a multiple year period to replace statutory revenue sharing that will not be paid by the State. The plan calls for the return of statutory revenue sharing for the counties when their restricted monies from the early levy run out. A key part to this plan allows the State to hold revenue sharing payments to cities, villages and townships for the State's 2005 fiscal year at the prior year levels. This plan was approved by the Michigan legislature and signed by the Governor.

In February 2005, the Governor did unveil an Executive Order to remedy a \$375 million shortfall for the State's 2005 budget and it appears to propose no further cuts to revenue sharing. The Executive Order was rejected by the Michigan Legislature and negotiations continue. We will keep the Township updated on further developments.



### State Revenue Sharing (Continued)

#### 2006

The Governor also introduced her 2006 budget with a \$773 million shortfall in February 2005. At this time, the budgeted amount for revenue sharing in 2006 is approximately the same as the 2005 funding level. The details on how the monies will be distributed on an individual community basis are yet to be confirmed.

The table below details state shared revenue for the Township over the past five years broken out by statutory and constitutional portions. In addition, it details the total decrease in state shared revenue experienced by the Township compared to the State's fiscal year 2001.

<u>State Fiscal Year</u>	<u>Statutory</u>	<u>Constitutional</u>	<u>Total</u>	<u>Decrease from 2001</u>
2001	963,354	1,528,795	2,492,149	-
2002	847,158	1,544,367	2,391,525	100,624
2003	718,450	1,570,514	2,288,964	203,455
2004	503,759	1,553,454	2,057,213	434,936
2005*	442,305	1,598,960	2,041,265	450,884

\* Estimated

We will continue to update the Township as developments occur.

### Municipal Finance Act - Reminder

The Municipal Finance Act was amended during 2001. Beginning after March 2002, communities are now required to submit a filing once a year with the Michigan Department of Treasury. The old ten-day "exemption from prior approval" process has been eliminated and is replaced with this qualification process. The filing will serve as a pre-approval for debt issuances. The current filing is due within six months of the Township's year end (June 30, 2005) and is good through the extended due date of the financial statement filings (June 30, 2006).

### Property Assessment Cap

As you recall, Proposal A limits the growth in taxable value to the lesser of inflation or 5 percent. The inflation factor for this calculation is published by the State Tax Commission and is:

2005	2.3%
2004	2.3
2003	1.5
2002	3.2
2001	3.2
2000	1.9

1999	1.6
1998	2.7
1997	2.8
1996	2.8

Property taxes are the Township's largest source of General Fund revenue. However, as indicated above, growth in existing property can be significantly limited due to Proposal A. This factor should be considered when the Township is involved in long-term financial planning.

### **Funding of Post-Employment Benefit Obligations**

The Governmental Accounting Standards Board has recently released Statement Number 45, Accounting and Reporting by Employers for Post-employment Benefits Other Than Pensions. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care benefits. The intent of the new rules is to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. These new rules will apply to the government-wide financial statements, rather than the individual fund level. As a result, the Township will need to continue to budget for contributions to a pre-funding plan. For many communities, the funding of post-employment benefits is the most significant financial challenge they will face in coming years. The statement will not be effective until the Township's 2008 calendar year. The cost of health care currently paid each year as premiums become due has been increasing and the trend is expected to continue.

### **Downriver Sewer System**

As mentioned in previous years, the Township, along with several other communities in the Downriver Sewer System, are currently upgrading the system as a result of litigation brought by the U.S. Environmental Protection Agency. This upgrading is being administered by Wayne County, which includes the issuance of debt on behalf of the communities and construction and cash management. During our audit, the County was unable to confirm to us that all property taxes submitted to the County have been credited to "our account". The Township should follow up with County personnel to determine that all payments to the County are credited to Township "accounts".

### **Accounting Items**

We noted the following areas that may also need some attention during 2005:

#### Customer Deposits

Approximately \$145,000 of customer deposits in the General Fund customer deposits account relate to payments received by the Township in fiscal year 2003 or prior. The Township should review this list to determine if any of these deposits should be refunded or forfeited.

#### Accounts Receivable

Approximately \$47,000 of receivable balances in the Water and Sewer accounts receivable account relate to receivables recorded by the Township in fiscal year 2003 or prior. A reserve has been recorded for approximately \$16,000 of this balance. The Township should continue reviewing to monitor this listing to determine if any additional receivables are uncollectible and should be written off.

Retainage Payables

During our audit, it was noted that the retainage outstanding as of December 31, 2004 on various construction projects were not recorded on the general ledger. Although adjustments were made during our audit to record the appropriate amounts, in the future, the Township should review all incomplete construction projects as of December 31 and record the appropriate retainage payable amount.

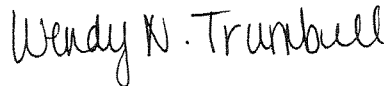
We would like to thank the Board of Trustees, Supervisor, Clerk, Treasurer and other departmental staff for the courtesy and cooperation extended to us during the audit. We appreciate the continued opportunity to serve as your auditors for the Township. We would be happy to answer any questions you have regarding the annual financial report, or the above comments and recommendations at your convenience.

Very truly yours,

**Plante & Moran, PLLC**



David H. Helisek



Wendy N. Trumbull

# **Charter Township of Van Buren**

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**Federal Awards  
Supplemental Information  
December 31, 2004**

# **Charter Township of Van Buren**

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## Independent Auditor's Report

To the Township Board  
Charter Township of Van Buren

We have audited the basic financial statements of the Charter Township of Van Buren for the year ended December 31, 2004 and have issued our report thereon dated April 7, 2005. Those basic financial statements are the responsibility of the management of the Charter Township of Van Buren. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Charter Township of Van Buren taken as a whole. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

April 7, 2005

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## Report Letter on Compliance with Laws and Regulations and Internal Control - Basic Financial Statements

To the Township Board  
Charter Township of Van Buren

We have audited the financial statements of the Charter Township of Van Buren as of and for the year ended December 31, 2004 and have issued our report thereon dated April 7, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Charter Township of Van Buren's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Charter Township of Van Buren's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

To the Township Board  
Charter Township of Van Buren

This report is intended solely for the information and use of the Township board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

April 7, 2005



Report Letter on Compliance with Laws and Regulations and  
Internal Control - Major Federal Awards

To the Township Board  
Charter Township of Van Buren

### Compliance

We have audited the compliance of the Charter Township of Van Buren with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2004. The major federal program of the Charter Township of Van Buren is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Charter Township of Van Buren's management. Our responsibility is to express an opinion on the Charter Township of Van Buren's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Charter Township of Van Buren's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Charter Township of Van Buren's compliance with those requirements.

In our opinion, the Charter Township of Van Buren complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2004.

To the Township Board  
Charter Township of Van Buren

### **Internal Control Over Compliance**

The management of the Charter Township of Van Buren is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Charter Township of Van Buren's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Township board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

May 10, 2005

# Charter Township of Van Buren

## Schedule of Expenditures of Federal Awards Year Ended December 31, 2004

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Justice:		
COPS in School Grant	16.Unknown	\$ 45,575
Federal Equitable Sharing Program	16.000	<u>48,028</u>
Total U.S. Department of Justice		93,603
U.S. Department of Housing and Urban Development - Passed through Wayne County - Community Development Block Grant	14.218	77,892
U.S. Environmental Protection Agency - Passed through Wayne County - Rouge River National Wet Weather Demonstration Projects:		
Lake Fringe Wetland Project	66.606	172,084
Interpretive Wetland Recreational Trail Project	66.606	<u>155,037</u>
Total U.S. Environmental Protection Agency		327,121
Federal Emergency Management Assistance - Passed through the Michigan Department of State Police - Hazard Mitigation Grant	83.548	<u>59,925</u>
Total federal awards		<u><u>\$ 558,541</u></u>

# **Charter Township of Van Buren**

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## **Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended December 31, 2004**

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 399,809
Minus federal revenue received relating to prior year's expenditures	(132,518)
Plus federal revenue not received within 60 days of year end in the governmental funds	243,222
Plus federal drug forfeitures reported as other revenues	<u>48,028</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 558,541</u></u>

# **Charter Township of Van Buren**

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## **Note to Schedule of Expenditures of Federal Awards Year Ended December 31, 2004**

### **Note - Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Charter Township of Van Buren and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

# Charter Township of Van Buren

## Schedule of Findings and Questioned Costs Year Ended December 31, 2004

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

#### Federal Awards

Internal control over major program:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Reportable condition(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes   X   No

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
66.606	Rouge River National Wet Weather Demonstration Project

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

# **Charter Township of Van Buren**

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## **Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2004**

### **Section II - Financial Statement Audit Findings**

None

### **Section III - Federal Program Audit Findings**

None